Intercarrier Compensation

Intercarrier compensation refers to the charges that one carrier pays to another carrier to originate, transport, and/or terminate telecommunications traffic. Although the same or similar facilities are used to originate, terminate and transport all types of traffic, the rates for intercarrier compensation vary based on several factors:

- Where the call begins and ends (whether the call is local or long distance, and whether it is interstate or intrastate)
- What types of carriers are involved (incumbent local carriers, competitive local carriers, long distance providers, wireless carriers)
- What type of traffic (wireline voice calls, wireless calls, data bound for an Internet service provider)

Intercarrier compensation payments are governed by a complex system of federal and state rules. There are two major forms of intercarrier compensation - access charges and reciprocal compensation.

Access charges generally apply to calls that begin and end in different local calling areas. Interstate access charges apply to calls that originate and terminate in different states, and intrastate access charges apply to calls that originate and terminate in different local calling areas within the same state. The Commission oversees interstate access charge rates, and the states oversee intrastate access charge rates. Access charges do not apply to Internet service providers under an exemption for enhanced service providers that use the facilities of local telephone companies.

Reciprocal compensation generally applies to calls that begin and end within the same local calling area. Historically, reciprocal compensation rates have been lower than access charge rates, and interstate access charge rates have been lower than intrastate access charge rates. The difference between these rates can be large, with some reciprocal compensation rates as low as $0.00 per minute, and some intrastate access charge rates greater than $0.30 per minute.

The Commission initially crafted its interstate access charge rules to facilitate payments between local telephone companies and long-distance companies after the 1984 breakup of the former AT&T monopoly. The agency modified and expanded its intercarrier compensation rules following passage of the Telecommunications Act of 1996. Dramatic changes in the marketplace since that time, however, have placed increasing strains on the existing intercarrier compensation system. For example, most wireless services were not available in the 1980s. More recently, the introduction of bundled service offerings and new services, such as voice-over-Internet protocol (VoIP) technology, have blurred traditional industry and regulatory distinctions, and posed questions that were not contemplated when the intercarrier compensation rules were initially created.

In response to these developments and the increasing strains placed on the existing intercarrier compensation regimes, the Commission has undertaken comprehensive reform of intercarrier compensation.

[emphasis added]

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